

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

2013 AUG 28

Arizona Corporation Commission

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AUG 28 2013

BOB STUMP, Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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IN THE MATTER OF THE APPLICATION OF
AT&T CORP. AND TELEPORT
COMMUNICATIONS OF AMERICA, LLC FOR A
LIMITED WAIVER OF THE AFFILIATED
INTEREST RULES PURSUANT TO A.A.C. R14-2-
806

Docket Nos. T-20872A-13-0282
T-20874A-13-0282

WAIVER APPLICATION

**(Expedited Consideration
Requested)**

GALLAGHER & KENNEDY, P.A.
2575 E. CAMELBACK ROAD
PHOENIX, ARIZONA 85016-9225
(602) 530-8000

Pursuant to A.A.C. R14-2-801, *et seq.* (the "Affiliated Interest Rules"), AT&T Corp. and Teleport Communications of America, LLC, on behalf of their parent corporation, AT&T Inc. ("AT&T"), seek a Limited Waiver of the Affiliated Interest Rules in relation to AT&T's proposed acquisition of Leap Wireless International, Inc. ("Leap") (the "Transaction"). Pursuant to A.A.C. R14-2-806, the limited waiver should be granted because the Transaction (1) will benefit Arizona wireless customers, (2) presents no risks for, or impacts on, AT&T's Arizona operating subsidiaries and (3) the waiver will conserve the Commission's and parties' resources. The Commission, therefore, should grant this Application seeking a waiver of the R14-2-803 notice of intent requirements as they may apply to the Transaction described herein. Alternately, AT&T requests that the Commission take no action on this Application, in which event, the waiver will become effective on September 30, 2013 under the provisions of R14-2-806.C.

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1 also acquire all of Leap's outstanding indebtedness. As of June 30, 2013, Leap had
2 approximately \$3.6 billion of outstanding indebtedness (net debt of approximately \$2.7 billion).
3 Mariner Acquisition Sub Inc., a newly formed, wholly-owned subsidiary of AT&T, will be
4 merged with and into Leap, with Leap as the surviving entity. As a result, Leap will become a
5 wholly-owned subsidiary of AT&T.

6 In addition to cash, Leap's shareholders will receive a contingent value right, which will
7 entitle them to proceeds received from the possible sale of Leap's 700 MHz A Block license in
8 Chicago.

9 **BENEFITS OF THE TRANSACTION**

10 The Transaction brings a number of transaction-specific benefits and will not give rise to
11 any competitive harm. The combined company will be well situated to benefit consumers
12 seeking a high-quality, competitively-priced prepaid wireless experience. Consumer demand for
13 prepaid/no-contract service is growing and wireless carriers with strong prepaid/no-contract
14 offerings recently have become even stronger competitors.

15 Leap is not a national provider (it offers facilities-based services to less than one-third of
16 the U.S. population), but it does have years of experience marketing prepaid/no-contract service
17 and an established retail distribution system in the states where it operates, including Arizona.
18 Its Cricket brand is well recognized in its regional service areas. AT&T has a fast and reliable
19 nationwide 4G LTE/HSPA+ network that provides its customers a level and variety of services
20 that Leap does not offer today. Combining Leap's established Cricket brand, spectrum, customer
21 base, distribution network, and experience selling prepaid service with AT&T's nationwide
22 4G LTE/HSPA+ network, suite of advanced devices and services, and financial resources, will
23 bring consumers a compelling, nationwide, facilities-based alternative for a full range of

1 prepaid/no-contract services. This will include low-cost, value-priced products as well as higher-
2 end, data-oriented products.

3 **EFFECT OF THE TRANSACTION IN ARIZONA**

4 There will be no change in the ownership of the Arizona Operating Subsidiaries as a
5 result of the Transaction. The Transaction involves no financing commitments or requirements
6 on the part of the Arizona Operating Subsidiaries. Accordingly, neither the assets nor the equity
7 capital of the Arizona Operating Subsidiaries will be pledged, encumbered or otherwise affected.
8 The Transaction will not change the current method of tax allocation to the Arizona Operating
9 Subsidiaries. The Transaction will have no impact on the Arizona Operating Subsidiaries'
10 access to, or cost of, capital. The Arizona Operating Subsidiaries will continue to have the same
11 access to funding from AT&T as they do now.

12 The Transaction will not impact customer service levels or any other operational matters
13 of the Arizona Operating Subsidiaries. AT&T will honor the rate plans of existing Cricket
14 customers. For new customers, the combined company will continue to offer competitive rate
15 plans that appeal to value-conscious consumers, including the option of choosing low-cost
16 devices and low-cost services.

17 WHEREFORE, having fully stated their Application, the Applicants, on behalf of AT&T,
18 request that the Commission – either affirmatively or by operation of law – grant a Limited
19 Waiver of the Affiliated Interest Rules in connection with the Transaction described herein.

1 RESPECTFULLY SUBMITTED this 28th day of August, 2013.

2 GALLAGHER & KENNEDY, P.A.

3
4 By 

Michael M. Grant
Jennifer A. Cranston
2575 East Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for AT&T

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6
7
8 **Original and 15 copies** filed this
9 28th day of August, 2013, with:

10 Docket Control
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 **Copies** of the foregoing delivered
15 this 28th day of August, 2013, to:

16 Commissioner, Bob Stump, Chairman
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Commissioner Gary Pierce
21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 Commissioner Brenda Burns
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

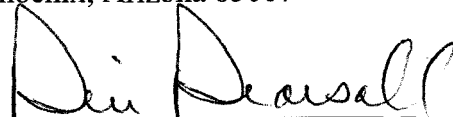
Commissioner Bob Burns
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1 Commissioner Susan Bitter Smith
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3 1200 West Washington Street
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5 Steve Olea, Director
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VERIFICATION

I, Jose Menchaca, declare the following:

I am the Managing Director-Corporate Development of AT&T Management Services, L.P. a subsidiary of AT&T Inc., the parent company of the Applicants in this matter, and am authorized to make this verification. I have personal knowledge of the facts stated in the Application for a Limited Waiver of the Affiliated Interest Rules Pursuant to R14-2-806, and, to the best of my knowledge, information and belief, such facts are true.

I declare, under penalty of perjury, that the foregoing verification is true and correct.

Executed this 28th day of August, 2013.

AT&T Inc.

By: AT&T Management Services, L.P.

By: 
Jose Menchaca

SUBSCRIBED AND SWORN TO before me this 28th day of August, 2013.




Notary Public

My Commission Expires:

8-7-16